eia.doe.gov

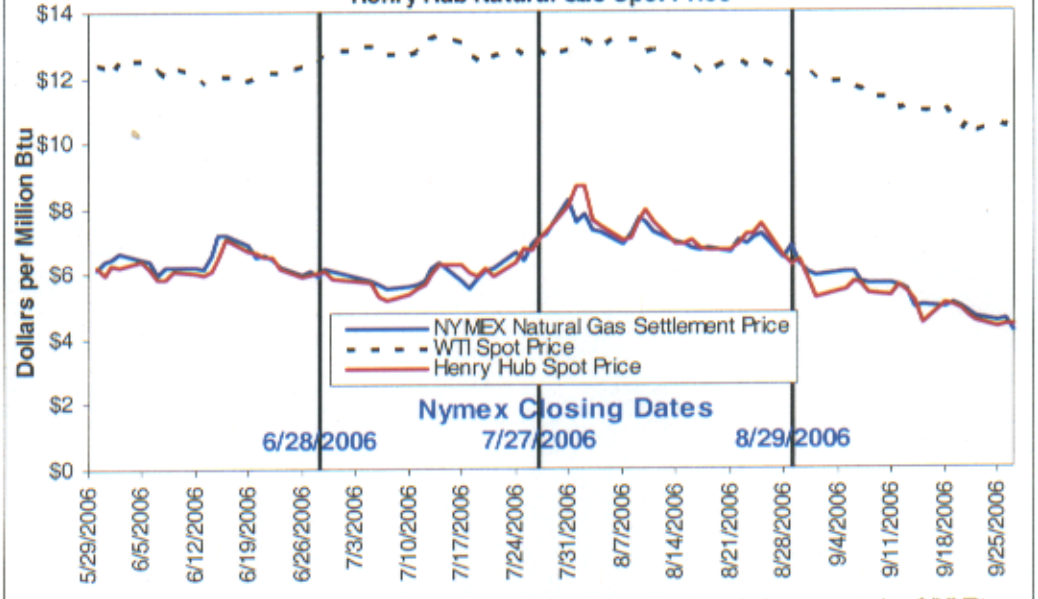
Natural Gas Weekly Update

XXXXX

Overview: Thursday, September 28 (next release 2:00 p.m. on October 5, 2006)

Natural gas spot prices decreased sharply since Wednesday, September 20, at nearly market locations. For the week (Wednesday to Wednesday), the price at the Henry H decreased $0.52 per MMBtu, or about 10 percent, to $4.35 per MMBtu. The NYMI futures contract for October delivery at the Henry Hub declined about 73 cents since l Wednesday to close yesterday at $4.201 per MMBtu. Natural gas in storage as of Frid September 22, was 3,254 Bcf, which is 12.2 percent above the 5-year average. The spot pri for West Texas Intermediate (WTI) crude oil increased $2.96 per barrel, or about 5 perce since last Wednesday to trade yesterday at $62.96 per barrel or $10.86 per MMBtu. T week's increase in the price of crude oil was the first week-on-week up-tick in the pas weeks.

NYMEX Natural Gas Futures Near-Month Contract Settlement Price, West Texas Intermediate Crude Oil Spot Price, and Henry Hub Natural Gas Spot Price



Note:The West Texas Intermediate (WTI) crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Source: Natural gas prices, *NGI's Daily Gas Price Index* (http://Intelligencepress.com); WTI price, Reuters News Service (http://www.reuters.com).

Prices:

With the strong influences of moderate weather, high storage levels, and a lack of hurrica activity still in place, spot prices continued falling this week, with decreases ranging betwe 22 and 68 cents per MMBtu. The only trading location to record a week-on-week increa was Florida Gas Transmission Company's market locations, noting a 2-cent increase sin last Wednesday, September 20. At the Henry Hub, the spot price decreased 52 cents MMBtu, or about 11 percent, over the report week to $4.35 per MMBtu yesterday. Oth trading locations in Louisiana recorded decreases that averaged 44 cents per MMBtu, about 9 percent, reaching average prices of $4.34 per MMBtu. Prices in the Northeast, whi ranged between $4.45 and $4.73 per MMBtu yesterday, decreased an average of 52 cents

MMBtu for the week. As of yesterday, three regions in the Lower 48 States recorded avera prices of less than $4 per MMBtu: Midcontinent ($3.98), West Texas ($3.90), and Rocl Mountains ($3.66). Prices at other trading regions in the Lower 48 States averaged betwe $4.19 and $5.32 per MMBtu. Excess linepack and large volumes of gas in storage continu to concern several pipelines this week (see Other Market Trends). Furthermore, according the company press release, the recent sharp decrease in prices led the Oklahoma City-bas Chesapeake Energy Company to shut in 100 MMcf per day of net production in various are of operations in the southwestern U.S. The shut-in volumes, representing about 6 percent the company's total domestic output, are part of the company's unhedged production.

Spot Prices ($ per MMBtu)	Thur. 21-Sep	Fri. 22-Sep	Mon. 25-Sep	Tue. 26-Sep	Wed. 27-Sep
Henry Hub	4.65	4.47	4.31	4.36	4.35
New York	4.89	4.70	4.56	4.65	4.64
Chicago	4.58	4.39	4.25	4.35	4.42
Cal. Comp. Avg,*	4.51	4.03	4.21	4.16	4.23
Futures ($/MMBtu)					
Oct delivery	4.781	4.627	4.475	4.526	4.201
Nov delivery	6.011	5.881	5.733	5.805	5.669

*Avg. of NGI's reported avg. prices for: Malin, PG&E citygate, and Southern California Border Avg.
Source: NGI's Daily Gas Price Index (http://intelligencepress.com).

At the NYMEX, the futures contract for October delivery at the Henry Hub closed yesterda September 27, at $4.201 per MMBtu, after decreasing 73 cents or about 15 percent on t week. The October 2006 contract closing price was the lowest closing price for a near-mon contract since the December 2002 futures contract closed at $4.140 per MMBtu on Novemb 26, 2002. During its tenure as the near-month, the October 2006 contract decreased $2.08 or nearly 33 percent, from the $6.290 per MMBtu price recorded on its first full day trading as the near-month contract. Similarly, the closing price of the October 2006 contra was $2.615 per MMBtu, or 38 percent, lower than the September 2006 closing price. Futur contracts for the upcoming heating season (November through March) are trading at average of $7.163 per MMBtu, with the lowest price yesterday at $5.669 per MMBtu f November 2006 delivery and the highest at $7.714 per MMBtu for February 2006 deliver The 12-month strip, which is the average of the futures prices for the coming year, decreas about 37 cents or 5 percent per MMBtu this week to $7.714 per MMBtu.

Recent Natural Gas Market Data

Estimated Average Wellhead Prices

	Mar-06	Apr-06	May-06	June-06	July-06	Aug-06
Price ($ per Mcf)	6.52	6.59	6.19	5.80	5.82	6.51
Price ($ per MMBtu)	6.35	6.42	6.03	5.65	5.67	6.34

Note: Prices were converted from $ per Mcf to $ per MMBtu using an average heat content of 1,027 Btu per cubic foot as published in Table A4 of the Annual Energy Review 2002.
Source: Energy Information Administration, Office of Oil and Gas.

Storage:
Working gas in storage increased to 3,254 Bcf as of Friday, September 22, according to t EIA *Weekly Natural Gas Storage Report* (See Storage Figure). Storage inventories a currently 12.2 percent above the 5-year average and 13.1 percent above last year's stora level at this time. The implied net injection of 77 Bcf is 2.6 percent more than the 5-ye average injection of 75 Bcf and about 38 percent more than last year's injection of 56 Bc

Working gas in storage appears headed to a new maximum for the weekly data. Storage levels are only 73 Bcf below the highest level in the more than 12-year history of the weekly stock estimates. This record level occurred in November 2004 when working gas in storage reached 3,327 Bcf. If net additions through the end of October equal the average rate of the past 5 years, working gas stocks at the start of the heating season will exceed 3,500 Bcf. This week's above-average injection partly reflects moderate temperatures across the United States, which kept demand for heating and cooling needs low. For the week ending September 21, 2006, temperatures were slightly cooler-than-normal. However, the relatively low levels of 24 heating degree-days and 31 cooling degree-days for the week ending September 20, according to the National Weather Service, indicate a lack of both heating and cooling load for the country as a whole. (See Temperature Maps)

All Volumes in Bcf	Current Stocks 9/22/06	One-Week Prior Stocks 9/15/06	Implied Net Change from Last Week	Estimated Prior 5-Year (2001-2005) Average	Percent Difference from 5 Year Average
East Region	1,874	1,835	39	1,698	10.4%
West Region	438	427	11	384	14.1%
Producing Region	942	915	27	819	15.0%
Total Lower 48	3,254	3,177	77	2,900	12.2%

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Row and column sums may not equal totals due to independent rounding.

Other Market Trends:

EIA Releases the Advance Summary of Its 2005 Report on Crude Oil, Natural Gas, and Natural Gas Liquids Reserves: The Energy Information Administration (EIA) released the report, *Advance Summary: U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves 2005 Annual Report* on September 26, 2006. The report presents highlights of petroleum industry activity that affected oil and natural gas production and proved reserves in 2005 and key data tables showing domestic proved reserves. According to the report, proved natural gas reserves were up by 6 percent in 2005, continuing the 7-year trend of increases and marking the largest annual increase in natural gas proved reserves since 1970. Reserve additions replaced 164 percent of 2005 dry gas production, which was about 3 percent lower than in 2004. The 10-percent decrease in gas reserves reported for the Gulf of Mexico Federal Offshore was offset by increases onshore in the Lower 48 States. Texas and Colorado added the largest amount of gas reserves in 2005, mostly resulting from extensions of existing gas fields. Field extensions amounted to 21.1 Tcf, 16 percent more than in 2004 and 74 percent more than the previous 10-year average of 12.1 Tcf. Furthermore, the addition of large gas proved reserves continued to be driven by continuing development of unconventional gas fields, such as fields developed in tight sands, shales, and coal beds. Coalbed methane accounted for 10 percent of proved dry gas reserves and 8 percent of dry natural gas production. Crude oil proved reserves increased for the first time in 3 years, rising by nearly 2 percent to 21.8 billion barrels. Reserve additions of crude oil replaced 122 percent of the 2005 production.

Natural Gas Transportation Update:

- Southern California Gas Company declared a high-linepack Operational Flow Order (OFO) Friday, September 22, which was in effect until Saturday, September 23. The OFO carried a 10 percent tolerance for positive daily imbalances.

- Questar Pipeline Company issued a notice requesting that all interruptible storage service